



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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WENDY L. WATANABE
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ROBERT A. DAVIS
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December 26, 2012

TO: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

A handwritten signature in cursive script, reading "Wendy L. Watanabe", with a stylized "by" and initials "by BS" written below it.

SUBJECT: **ASIAN PACIFIC AMERICAN LEGAL CENTER – A DEPARTMENT OF
PUBLIC SOCIAL SERVICES DOMESTIC VIOLENCE SUPPORTIVE
SERVICES PROGRAM PROVIDER – CONTRACT COMPLIANCE
REVIEW – FISCAL YEARS 2010-11 AND 2011-12**

We completed a review of Asian Pacific American Legal Center (APALC or Agency), which covered a sample of transactions from Fiscal Years (FYs) 2010-11 and 2011-12. The Department of Public Social Services (DPSS) contracts with APALC, a non-profit organization, to provide Domestic Violence Supportive Services (DVSS) Program services to eligible participants who have been victims of domestic violence. DVSS Program services include performing assessments, facilitating shelter assistance, and providing legal assistance to the victims.

The purpose of our review was to determine whether APALC appropriately accounted for and spent DVSS Program funds to provide the services outlined in their County contract. We also evaluated the Agency's accounting records, internal controls, and compliance with their contract and other applicable guidelines.

DPSS paid the Agency approximately \$108,000 on a cost-reimbursement basis during FY 2010-11. APALC provides services to residents of the First Supervisorial District.

Results of Review

APALC provided services to individuals who met DVSS Program eligibility requirements, and the Agency's staff had the required qualifications. In addition, APALC recorded and deposited DPSS payments timely, and the Agency did not have any unspent DVSS Program funds. However, APALC did not always comply with all of the County contract requirements. Specifically, APALC:

- Inappropriately allocated \$400 in non-payroll expenditures to the DVSS Program based on their budget, instead of based on actual conditions.

APALC's attached response indicates that they re-allocated the \$400 in expenditures, and will provide DPSS with supporting documentation.

- Did not maintain an employee misconduct insurance policy as required.

APALC's response indicates that they will obtain the required insurance.

- Inappropriately allocated \$88,768 in payroll costs to the DVSS Program based on estimates, instead of actual hours worked.

APALC's response indicates that they re-allocated the payroll costs, and will provide DPSS with supporting documentation.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with APALC and DPSS on September 17, 2012. APALC's attached response indicates agreement with our findings and recommendations. DPSS will work with APALC to ensure that our recommendations are implemented.

We thank APALC management for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:JLS:DC:AA:JS

Attachment

- c: William T Fujioka, Chief Executive Officer
Sheryl L. Spiller, Director, Department of Public Social Services
John S. C. Lim, Board Chair, APALC
Stewart Kwoh, President and Executive Director, APALC
Public Information Office
Audit Committee

**ASIAN PACIFIC AMERICAN LEGAL CENTER
DOMESTIC VIOLENCE SUPPORTIVE SERVICES PROGRAM
CONTRACT COMPLIANCE REVIEW
FISCAL YEARS 2010-11 AND 2011-12**

ELIGIBILITY

Objective

Determine whether Asian Pacific American Legal Center (APALC or Agency) provided services to individuals who met the Domestic Violence Supportive Services (DVSS) Program eligibility requirements.

Verification

We reviewed the case files for ten (59%) of the 17 participants who received services from APALC during January and February 2012 for documentation to confirm their eligibility for DVSS Program services.

Results

APALC had documentation to support all ten participants' eligibility for DVSS Program services.

Recommendation

None.

PROGRAM SERVICES

Objective

Determine whether APALC provided the services required by their County contract and DVSS Program guidelines. In addition, determine whether the Program participants received the billed services.

Verification

We visited the APALC service site, and reviewed the case files for ten (59%) of the 17 participants who received services during January and February 2012.

Results

APALC provided services in accordance with the County contract.

Recommendation

None.

STAFFING QUALIFICATIONS

Objective

Determine whether APALC staff had the qualifications required by the County contract.

Verification

We reviewed the personnel files for all four APALC employees who worked on the DVSS Program.

Results

APALC's staff had the required qualifications.

Recommendation

None.

CASH/REVENUE

Objective

Determine whether APALC recorded revenue in its financial records properly, deposited cash receipts into the Agency's bank accounts timely, and completed and approved bank account reconciliations appropriately.

Verification

We interviewed APALC management, and reviewed the Agency's financial records and April 2012 bank reconciliations.

Results

APALC recorded revenue in their financial records properly, deposited DPSS payments into the Agency's bank account timely, and prepared monthly bank reconciliations appropriately.

Recommendation

None.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether expenditures charged to the DVSS Program were allowable under the County contract, properly documented, and accurately billed.

Verification

We interviewed APALC's personnel, and reviewed financial records for \$582 in non-payroll expenditures that the Agency charged to the DVSS Program during January and February 2012.

Results

APALC inappropriately allocated \$400 (69%) of the \$582 in non-payroll expenditures reviewed to the DVSS Program based on their budget, instead of based on actual conditions as required by the County contract.

Recommendations**APALC management:**

1. Repay DPSS \$400, or provide DPSS with supporting documentation for the inappropriately allocated expenditure.
2. Allocate non-payroll expenditures billed to the DVSS Program in compliance with the County contract, and maintain supporting documentation.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether APALC had adequate internal controls over its business operations, and if the Agency is in compliance with other Program and administrative requirements.

Verification

We interviewed APALC personnel, reviewed their policies and procedures manuals, and conducted on-site visits.

Results

APALC had adequate sufficient internal controls over its business operations. However, the Agency did not maintain the required employee misconduct insurance policy.

Recommendation

3. APALC management obtain and maintain the required employee misconduct insurance coverage.

PAYROLL AND PERSONNEL**Objective**

Determine whether APALC charged payroll costs to the DVSS Program appropriately, and obtained required criminal background clearances and employment eligibility for the Agency's DVSS Program staff.

Verification

We traced the payroll costs for four employees, totaling \$20,098, for February 2012 to the Agency's payroll records and time reports. We also interviewed Agency staff, and reviewed personnel files for four APALC DVSS Program staff.

Results

APALC obtained background clearances and employment eligibility for the DVSS Program staff. However, the Agency inappropriately allocated all \$20,098 in payroll costs reviewed to the DVSS Program based on estimates, instead of actual hours worked. As a result, we expanded our review to include payroll costs that the Agency billed from July 2011 to January 2012, and noted APALC inappropriately allocated an additional \$68,670 to the DVSS Program.

Recommendations**APALC management:**

4. Review and reallocate all payroll costs charged to DPSS during the contract term using an allowable allocation method, provide DPSS with supporting documentation, and repay any overbilled amounts.
5. Ensure that payroll costs are allocated in compliance with the County contract.

COST ALLOCATION PLAN**Objective**

Determine whether APALC's Cost Allocation Plan (Plan) was prepared in compliance with their County contract, and was used to allocate shared costs appropriately.

Verification

We reviewed the Agency's Plan, and a sample of expenditures from January and February 2012.

Results

APALC's Plan was prepared in compliance with the County contract. However, APALC did not appropriately allocate shared expenditures to the DVSS Program as discussed earlier.

Recommendation

Refer to Recommendations 1, 2, 4, and 5.

CLOSE-OUT REVIEW**Objective**

Determine whether APALC had any unspent revenue for the DVSS Program for Fiscal Year (FY) 2010-11.

Verification

We traced APALC's total revenues and expenditures from the FY 2010-11 close-out report to the Agency's accounting records, and to DPSS' payment records.

Results

APALC did not have any unspent revenue for the DVSS Program for FY 2010-11.

Recommendation

None.

ASIAN PACIFIC AMERICAN
LEGAL CENTER



MEMBER OF
ASIAN AMERICAN CENTER
FOR ADVANCING JUSTICE

October 5, 2012

Wendy Watanabe
Auditor-Controller
County of Los Angeles
Department of Auditor-Controller

Dear Ms Watanabe;

The management of Asian Pacific American Legal Center (APALC) considers all audits and monitoring visits very important. Providing services in compliance with guidelines and correcting findings is of a high priority for our organization.

Our response to the Auditor-Controller Contract Compliance Review is as follows:

1) APALC inappropriately allocated \$400 (69%) of the \$582 in non-payroll expenditures reviewed to the DVSS Program based on their budget, instead of based on actual conditions.

Response: APALC management adopted the Auditor-Controller recommendation and reallocated the \$400 in expenditures. APALC will provide DPSS with supporting documentation. APALC will allocate non-payroll expenditures in compliance with the County contract.

2) Agency did not maintain an employee misconduct insurance policy as required by the contract.

Response: APALC is seeking working to identify employee misconduct insurance carriers in the state of California and will procure the insurance when a provider is identified.

3) Agency inappropriately allocated all \$20,098 in payroll costs reviewed to the DVSS program based on estimates, instead of actual hours worked.

Response: APALC management adopted the Auditor-Controller recommendation and reallocated all payroll costs charge to DPSS during the contract term using an allowable allocation method. APALC will provide DPSS with supporting documentation. APALC will allocate payroll expenditures in compliance with the County contract.

Cordially,

Patricia Buske
Vice President Finance and Administration

C: Betty Song